

Message Text

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ACTION PM-05

INFO OCT-01 EUR-12 NEA-10 ISO-00 DODE-00 CIAE-00
INR-10 NSAE-00 MCE-00 L-03 AID-05 EB-08 ACDA-12
SS-15 OMB-01 TRSE-00 NSCE-00 SP-02 SSO-00 INRE-00
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O R 211316Z MAR 78
FM AMEMBASSY STOCKHOLM
TO SECSTATE WASHDC IMMEDIATE 3355
INFO AMEMBASSY ISLAMABAD
AMEMBASSY LONDON
AMEMBASSY NEW DELHI
AMEMBASSY PARIS

C O N F I D E N T I A L SECTION 1 OF 2 STOCKHOLM 1156

C O R R E C T E D C O P Y (PRECEDENCE RAISED, CAPTION ADDED)

SSO PLEASE CALL STEVEN GEIS/PM AND RON WOODS EUR/NE

DEPARTMENT PASS DOD: EUR/NE PASS TO AMB KENNEDY-MINOTT

E.O. 11652: GDS
TAGS: MASS, SW, FR, IN, PK
SUBJ: POTENTIAL SWEDISH AIRCRAFT SALE TO INDIA

REF: STATE 69921

1. SUMMARY: AS REPORTED REFTEL, THE SWEDISH GOVERNMENT HAS ASKED USG APPROVAL FOR SALES OF THE VIGGEN VA-37 AIRCRAFT TO INDIA. THIS MESSAGE GIVES SOME ELEMENTS THE EMBASSY BELIEVES SHOULD ENTER INTO THE USG DECISION ON THIS REQUEST. END SUMMARY. (NOTE: THE AMBASSADOR DISCUSSED THIS MATTER PRIOR TO HIS DEPARTURE FOR WASHINGTON ON CONSULTATION, AND THIS MESSAGE IS MEANT TO REFLECT HIS VIEWS. HE MAY WISH TO PROVIDE ADDITIONAL OR DIFFERENT VIEWS AT THAT END.)

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2. THE FUNDAMENTAL FACTS MAY BE SET FORTH BRIEFLY. (A) THE SAAB-BUILT VIGGEN VA-37 AIRCRAFT HAS A LARGE NUMBER OF US-LICENSED COMPONENTS AND REQUIRES US APPROVAL FOR SALES OUTSIDE SWEDEN. (B) GIVEN THE DEPRESSED STATE OF THE SWEDISH ECONOMY, AND THE DIFFICULTY OF KEEPING AN ADVANCED AIRCRAFT INDUSTRY GOING ONLY ON DOMESTIC SALES, THE SWEDES HAVE BEEN SEARCHING

EAGERLY FOR A MARKET FOR THE VIGGEN. (C) IN 1976 THE USG RESPONDED TO AN INFORMAL QUERY FROM SAAB ABOUT SALES TO INDIA IN THE NEGATIVE, BASING OUR REPLY UPON THE POSSIBLE LOSS OF SENSITIVE TECHNOLOGY. (D) INDIA HAS RECENTLY MADE CLEAR ITS INTENTION TO ACQUIRE A NEW DEEP-PENETRATION STRIKE AIRCRAFT. THE THREE CONTENDING AIRCRAFT (FRENCH MIRAGE, BRITISH-FRENCH JAGUAR, VIGGEN) ARE CONSIDERED ROUGHLY EQUAL IN CAPABILITIES. (E) THE SWEDES REPORTEDLY HAVE MADE THEIR OFFER INCREASINGLY ATTRACTIVE TO THE INDIANS, AND APPARENTLY BELIEVE THEY HAVE A GOOD CHANCE TO LAND THE LARGE CONTRACT (40 AIRCRAFT BY DIRECT SALE, 130 TO BE BUILT ON LICENSE IN INDIA). ARGUING THAT THE INDIANS WILL CERTAINLY BUY ONE OF THE THREE AIRCRAFT, THEY HAVE NOW FORMALLY REQUESTED USG APPROVAL FOR SALE OF THE VIGGEN.

3. THIS EMBASSY PROFESSES IGNORANCE OF SEVERAL AREAS WHICH BEAR UPON THE ULTIMATE USG DECISION. E.G. WE DO NOT KNOW IF THERE ARE FACTORS IN US-FRENCH OR US-UK RELATIONS WHICH MIGHT INCLINE US TO FAVOR FRENCH OR UK/FRENCH SALES RATHER THAN SWEDISH. WE DO NOT KNOW IF US-PAKISTANI RELATIONS MILITATE STRONGLY AGAINST US APPROVAL OF SWEDISH SALES, OR WHAT EFFECT A USG TURNDOWN ON THE VIGGEN WOULD HAVE ON US-INDIAN RELATIONS. WE DO NOT KNOW IF THE ADMINISTRATION'S COMMITMENTS TO ITS POLICY OF RESTRAINT IN ARMS SALES MAKE IT DIFFICULT TO APPROVE THE SWEDISH SALE WITHOUT APPEARING TO CONTRADICT SOME OF OUR OWN GOALS. OBVIOUSLY THESE AND OTHER ELEMENTS OF WHICH WE HAVE ONLY PARTIAL KNOWLEDGE MUST BE AMPLIFIED BY USG DECISION-MAKERS.

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4. ARGUMENTS AGAINST APPROVAL OF THE SWEDISH SALE WOULD INCLUDE THE FOLLOWING: (A) THE POSSIBLE LOSS OF SENSITIVE TECHNOLOGY TO THE COMMUNISTS. (WE WOULD ASSUME ON THE BASIS OF INFORMATION AVAILABLE TO US THAT THIS FACTOR HAS LESSENED IN IMPORTANCE SINCE THE ADVENT OF THE NEW GOVERNMENT IN INDIA, BUT THIS IS DIFFICULT TO JUDGE FROM STOCKHOLM, AS IS THE COMPARATIVE TECHNOLOGY LOSS BETWEEN THE VIGGEN AND ITS UK/FRENCH COMPETITORS). (B) US POLICY IN THE SUBCONTINENT SEEKS TO KEEP THE BALANCE BETWEEN INDIA AND PAKISTAN FROM GETTING TOO FAR OUT OF KILTER, AND THE ACQUISITION OF A DPSA WITH US APPROVAL WOULD RUN THIS RISK. (C) US POLICY ON ARMS SALES PROHIBITS THE USG FROM SELLING AIRCRAFT SIMILAR TO THE VIGGEN TO INDIA; THEREFORE WE CANNOT APPROVE SALE OF A SWEDISH PLANE INCORPORATING ADVANCED US TECHNOLOGY. (D) USG APPROVAL OF THE VIGGEN SALE COULD BE A COMPLICATING FACTOR IN OUR RELATIONS WITH THE PRC.

5. THE SWEDES ADVANCE THE FOLLOWING ARGUMENTS IN FAVOR OF USG APPROVAL: (A) THE LOW CONDITION OF THE SWEDISH ECONOMY MAKES THIS SALE OF ENORMOUS IMPORTANCE, AND THUS BRINGS THE POSSIBILITY THAT A USG 'NO' WOULD HARM US-SWEDISH RELATIONS. (WE ASSUME THE BRITISH AND FRENCH COULD ADDUCE SIMILAR ARGUMENTS ABOUT ECONOMIC

NEED, ALTHOUGH ABSENCE OF A NEED FOR USG APPROVAL TAKES AWAY THE
ELEMENT OF US RESPONSIBILITY IF THEIR SALES DO NOT GO THROUGH.)
(B) THE PREVIOUS CONDITIONAL 'NO' GIVEN TO SAAB BY THE USG IN
1976 HAS BEEN OVERTAKEN BY EVENTS: THERE ARE NEW GOVERNMENTS IN
WASHINGTON, STOCKHOLM, AND NEW DELHI, US-INDIAN RELATIONS ARE MUCH
BETTER, US-SWEDISH COOPERATION IS UP SINCE THE NON-SOCIALIST
GOVERNMENT CAME IN. A US DISAPPROVAL THIS TIME WOULD HURT THOSE
IN SWEDEN WHO ARE WORKING ON BETTER RELATIONS WITH US. (C) SWEDEN
IS A DE FACTO MEMBER OF THE WESTERN CAMP AND NEEDS A STRONG AIR-
CRAFT INDUSTRY TO MAINTAIN A CREDIBLE DEFENSE ESTABLISHMENT.
VIGGEN SALES TO INDIA WOULD HELP KEEP THE INDUSTRY GOING, MAINTAIN
US EXPORTS INCORPORATED IN THE VIGGEN, INCREASE CHANCES OF BUILD-
ING THE B3LA AIRCRAFT (PRESUMABLY USING THE GE404 ENGINE IF USG
APPROVAL WERE FORTHCOMING), LEAD ON TO A NEW ADVANCED AIRCRAFT IN
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THE 1980S. (D) SWEDEN'S RECORD IN ARMS SALES HAS BEEN GOOD AS
REGARDS NOT FEEDING THE DANGER OF REGIONAL CONFLICTS; IT BELIEVES
THE VIGGEN-TO-INDIA SALES WOULD NOT HARM THAT RECORD. THESE ARE
SWEDISH ARGUMENTS, CONTAINING SOME EXAGGERATION BUT CONSIDERABLE
TRUTH.

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SS-15 OMB-01 TRSE-00 SP-02 NSCE-00 SSO-00 INRE-00
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O R 211316Z MAR 78
FM AMEMBASSY STOCKHOLM
TO SECSTATE WASHDC IMMEDIATE 3356
INFO AMEMBASSY ISLAMABAD
AMEMBASSY LONDON
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C O N F I D E N T I A L SECTION 2 OF 2 STOCKHOLM 1156

SSO PLEASE CALL STEVE GEIS/PM AND RON WOODS EUR/NE

DEPARTMENT PASS DOD/ EUR/NE PASS TO AMBASSADOR KENNEDY-MINOTT

CORRECTED COPY IMMEDIATE PRECEDENCE TO DEPT AND ADDITIONAL CAPTION

6. THE ULTIMATE DECISION SHOULD BE BASED SQUARELY ON US INTERESTS, VIEWED IN THE PARGEST PERSPECTIVE. SEEN FROM STOCKHOLM, THE FOLLOWING SEEM NOTEWORTHY TO THIS EMBASSY: (A) ON THE BILATERAL PLANE, THE SIZE OF THE SALE MAKES OUR APPROVAL OR DISAPPROVAL OF LARGE IMPORT IN US-SWEDISH RELATIONS. WE BELIEVE THE AMBASSADOR'S AND THE EMBASSY'S INFLUENCE WITH THE PRESENT GOVERNMENT WOULD BE HARMED CONSIDERABLY BY A USG TURNDOW. SINCE PROSPECTS FOR COOPERATION ARE GROWING IN A NUMBER OF AREAS SUCH AS HUMAN RIGHTS AND DISARMAMENT, WE WOULD OF COURSE REGRET THIS SETBACK. (B) SINCE IT APPEARS SURE THAT INDIA WILL BUY ONE OF THE THREE AIRCRAFT, OUR "NO" ON THE VIGGEN WOULD NOT IN FACT CONTROL THE ARMS BALANCE ON THE SUBCONTINENT. WHETHER INDIAN ACQUISITION OF A DPSA IS DESTABILIZING OR NOT, THEY SEEM BOUND TO ACQUIRE ONE. FOR US TO SAY "NO" TO THE SWEDES WHEN IT WILL
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ONLY MEAN THROWING THE SALE TO THE FRENCH OR BRITISH SEEMS TO THE EMBASSY TO VIOLATE THE AMERICAN TRADITION OF FAIR PLAY. (C) WE HAVE RECOGNIZED WITHIN THE USG THE GROWING IMPORTANCE OF THE NORTHERN FLANK, AND US POLICY RECOGNIZES THE KEY ROLE OF SWEDISH ARMED FORCES WITHIN THE NORDIC BALANCE. EVENTS SUCH AS THE RECENT GOS CRITICISM OF SOVIET NUCLEAR-WEAPON SUBMARINES IN THE BALTIC SHOW SWEDISH DETERMINATION TO REMAIN A RESPECTED NEUTRAL. WITHIN THIS FRAMEWORK, THE SWEDISH DEFENSE POTENTIAL- INCLUDING A VIABLE AIRCRAFT INDUSTRY- IS IMPORTANT FOR US INTERESTS IN NORTHERN EUROPE. IN THIS PROSPECTIVE A US TURNDOWN ON VIGGEN SALES TO INDIA WOULD WORK AGAINST OUR INTERESTS.

7. ADMITTEDLY IT IS HARD FOR ONE EMBASSY TO BALANCE THESE CONFLICTING ELEMENTS, AND IT IS FOR THE USG TO FIND THE PROPER EQUATION. OUR GREAT CONCERN HERE IN STOCKHOLM IS THAT THE MATTER RECEIVE THE CAREFUL STUDY THAT IT DESERVES, FOR IT CUTS DEEPLY INTO THE US-SWEDISH RELATIONSHIP. WE PARTICULARLY HOPE THAT WASHINGTON DECISION-MAKERS WILL BEAR IN MIND THE SEEMING CERTAINTY THAT INDIA WILL ACQUIRE ONE OF THE THREE CONTENDING AIRCRAFT, FOR THIS CERTAINTY PUTS A SPECIAL LIGHT ON THE USG DECISION. WITHOUT BEING ABLE TO FORCAST HOW THE PICTURE WILL LOOK WHEN ALL THE PIECES ARE ASSEMBLED, WE SIMPLY PUT FORWARD THE HOPE THAT THE SWEDISH ARGUMENTS WILL BE THOUGHTFULLY AND FAIRLY CONSIDERED AND ALL THE ELEMENTS BROUGHT TOBEAR ON THE FINAL DECISION.
PERRY

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